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SUBJECT: UK/Climate Change: Businesses Concerned Over  
Competitiveness, Regulatory Risks

¶1. (SBU) Summary: At a March 19 DCM-hosted lunch for businessmen on climate change, guests expressed concern about climate change regimes raising regulatory risk and eroding UK and European international competitiveness. Guests want an international climate agreement to bring in China and India, and to establish a "level playing field" for industry. China has approached the UK-based firm "Carbon Trust" for collaboration on consumer labels showing a carbon footprint. U.S. and UK boardrooms are much more knowledgeable on climate than they were 18 months ago but most corporations have a gap on climate and environmental strategy between executive levels and department heads further down the food chain. One guest predicted that consumers and financial firms will increasingly set the environmental agenda, eroding the policy position of NGOs. End summary.

Carbon Trust CEO Was Guest of Honor  
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¶2. (U) The DCM hosted a lunch, jointly organized by the Commercial Section and the Business Council for International Understanding, on March 19 for businessmen to discuss issues related to climate change. Guests attended from Dow Chemical, AES Electric, Rolls-Royce Fuel Cell Systems, ConocoPhillips, CH2MHill, Marathon Oil, Morgan Stanley, and Cairneagle (a financial consultancy). The Guest of Honor was Mr. Tom Delay (no relation to the former Congressman), CEO of the Carbon Trust, a government-supported company that works with businesses to assess and reduce carbon footprints. (For more on the Carbon Trust, see [www.carbontrust.co.uk](http://www.carbontrust.co.uk) )

No "Chief Environmental Officer"  
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¶3. (SBU) Mr. Delay opened the meeting by saying that boardrooms in the United States and Europe now have a much clearer picture of the risks and opportunities of climate change than they did even 18 months ago. He said that many businesses seem unsure how to handle environment and climate at the executive level; there is a gap between executives making strategic decisions and environmental department heads further down the food chain. Most firms do not have a "Chief Environmental Officer," he said, but he went on to cite BP as a firm that is "years" ahead of other firms in taking on climate and environmental issues as part of its basic business operations. In individual conversations after lunch, guests expressed a desire to see more of a leading role played by government in showing the way forward on climate change mitigation. (Note: Even among this group of knowledgeable executives, there was clearly uncertainty about climate policy and technology.)

## Firms Seek "Level Playing Field"

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14. (SBU) Competitiveness and a "level playing field" were the predominant climate policy concerns of the guests. Delay said that China, India and other developing countries need to be part of a global agreement on carbon. He noted that China has approached the Carbon Trust about establishing a Carbon Trust in China, and that one of the projects of interest to China was labeling consumer products with their carbon footprint. Carbon Trust has also had discussions with the State of California about establishing a California Carbon Trust.

## Tough To Reconcile Growth with Cap-and-Trade

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15. (SBU) Mr. Delay from Carbon Trust said a regulatory framework setting a "price for carbon" through a cap-and-trade system is essential for sending the right price signals to the private sector to encourage investment in low-carbon technologies. He admitted that reconciling a cap-and-trade system with the need for continued economic growth in developing countries was a tricky problem. He added that in his opinion, financial institutions and consumers will exercise more and more direction on environmental policy relative to the NGOs who currently set the agenda.

## Comment

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16. (SBU) Business's point of view is clear: they want regulatory certainty and a method for keeping their industrial capacity in developed countries competitive

with developing countries. There does not seem to be a clear preference from industry for cap-and-trade.

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